

# Understanding Rate Locks in Mortgage Lending

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This guide is designed to help borrowers and mortgage professionals understand what a rate lock is, how it works, and why it matters.

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*A Comprehensive Guide by The Housing Assistant*



## Introduction

Interest rates change daily, and sometimes multiple times in a day. That's where rate locks come in. This guide is designed to help borrowers and mortgage professionals understand what a rate lock is, how it works, and why it matters. With the right timing and strategy, a rate lock can protect a borrower's buying power and help avoid unpleasant surprises at closing.

## What is a Rate Lock?

A rate lock is a lender's commitment to honor a specific interest rate and loan pricing for a set amount of time. It protects the borrower from interest rate increases during the processing and underwriting period. If the market worsens after locking, the borrower is protected. But if the market improves, the locked rate usually doesn't change, unless there's a float-down option.

## When Should You Lock a Rate?

- After you've submitted a full application
- Once the property has been identified
- After selecting a loan program and confirming your goals

THA Tip: Don't delay locking just to 'wait for better rates' unless your loan officer is actively tracking market trends with you.

## Common Lock Periods

Lock Term	Typical Use
15-Day	Quick close refinances
30-Day	Standard purchases and refis

45-Day	Slower processing or underwriting
60-90+ Day	New construction, rate cap strategies
Lock & Shop	TBD property buyers—requires pre-approval

### How Do Rate Locks Work Behind the Scenes?

Lenders base daily pricing on the mortgage-backed securities (MBS) market. When you lock a rate, you're locking in that pricing snapshot. If the market worsens after you lock, your rate and fees stay protected. If the market improves, you usually stay locked unless your lender offers a float-down option.

THA Tip: Always ask your lender what happens if rates improve after you lock. Not all locks have float-downs.

### What Happens If You Don't Lock?

You're 'floating,' which means your interest rate isn't guaranteed. If rates rise before you lock, you could face higher costs or reduced affordability. Floating can be risky in volatile markets. Lenders often update pricing multiple times per day.

### What If the Lock Expires Before You Close?

- You may be eligible for a lock extension, but it often comes with a fee.
- If the lock expires and rates have worsened, you might face worse-case pricing.
- Some lenders allow re-locks or rate renegotiations, but timing and fees vary.

THA Tip: Use a rate lock tracker in your pipeline, missed lock expirations can delay funding and cost borrowers' money!